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Poland

Agricultural Situation

GOP Allocates Budget Funds to Assist Farmers Affected by Severe Drought

2006

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Report Highlights:

Polish Government allocated PLN 500 million (US\$ 160 million) for assistance to farmers affected by severe drought. Aid will be distributed to 300,000 farmers in a form of cash payment, support in purchasing seeds, feed grains for livestock and relief in taxes and debt payments.

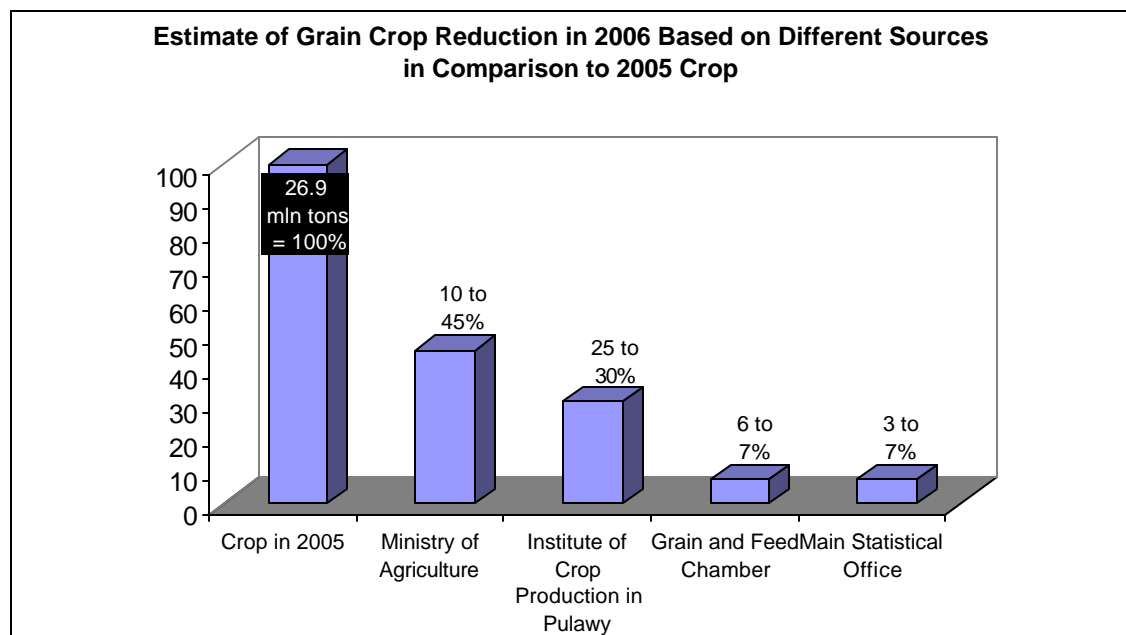
Includes PSD Changes: No
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Unscheduled Report
Warsaw [PL1]
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On August 1, 2006, the Polish Council of Ministers (CM) approved assistance programs for farmers affected by current drought. The CM approved most of the assistance programs proposed by the Ministry of Agriculture. Total value of assistance amounts to almost PLN 500 million (US\$ 160 million) out of which PLN 245 million will be allocated from the national budget, PLN 200 million will come from the Agency for Agricultural Properties (Agency selling or leasing former state farms) and PLN 50 million will originate from previously unused funds for farmers insurance and preferential credit programs.

The following assistance programs for farmers affected by drought have been approved by the CM so far:

1. Each farmer who lost over 30 percent of crops due to the drought will receive a cash payment of PLN 500 (US\$ 160), if the farm is 5 hectares (12.5 acres) or smaller, and PLN 1,000 (US\$ 320) if the farm is larger than 5 hectares. The CM allocated 230 million for this aid which will be enough for payment to 300,000 farmers. However, Prime Minister Kaczynski said that if the number of farmers eligible for assistance is higher, the GOP will increase funds for this aid.
2. Farmers affected by drought who raise livestock will receive one ton of feed grain or its cash equivalent. The GOP will allocate for this activity PLN 80 to 100 million (US\$26-35 million).
3. Farmers affected by drought will receive assistance in purchasing seeds. Total allocation of funds for this activity is PLN 15 million (US\$ 5 million) for the upcoming fall seeding season and PLN 50 million (US\$ 16 million) for the 2007 spring seeding season.
4. Farmers who have to pay back their "Disaster Loans" taken in previous years will be able to suspend repayment of debts. The Agency of Restructuring and Modernization of Agriculture will allocate additional PLN 100 million (US\$ 33 million) for preferential "Disaster Loans" for farmers. The repayment time for these new loans will be extended from two to five years.
5. Farmers affected by drought will be able to individually apply for tax relief, rescheduling (delaying) this year's payments of rent for farmers leasing land from the Agency of Agricultural Properties and for an exemption or suspension from this year's installment premium or payments for farmer's social and health insurance plan.

The CM did not accept Minister of Agriculture Andrzej Lepper's proposal to allocate PLN 500 million (US\$ 165 million) in the 2007 budget to cover 60 percent of the cost of the farm disaster insurance program. The GOP sent this proposal for further consultations to the parliamentary Budget Commission. Minister Lepper is of the opinion that in 2007, the GOP should allocate for subsidies for disaster insurance PLN 500 million (ten times more than in 2006). According to EU legislation, starting in 2008 the government will not be able to support farmers in case of natural disasters. This role will be taken over by insurance companies.



Source: August 2, 2006 issue of the Rzeczpospolita Journal